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Steven D. Hitchcock, ESQ.

May 3, 1999

Via Hand Delivery

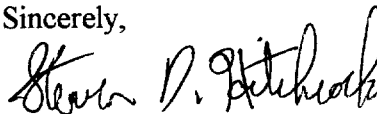
Magalie Ramon Salas
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W., TWA-325
Washington, D.C. 20554

Dear Secretary Salas:

PriceInteractive, Inc., through its attorneys and pursuant to Sections 1.415 and 1.419 of the Commission's Rules, hereby submits an original and nine copies of its reply comments in CC Docket No. 94-129 (In the Matter of Implementation of the Subscriber Carrier Selection Changes Provisions of the Telecommunications Act of 1996--Policies and Rules Concerning Unauthorized Changes of Consumers' Long Distance Carriers).

Please direct any questions regarding this matter to the undersigned.

Sincerely,



Neil S. Ende
Steven D. Hitchcock

Enclosures (original and nine copies)

cc: Kimberly Parker
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Consumers' Long Distance)
Carriers)

CC Docket No. 94-129

To: The Commission

REPLY

COMMENTS

OF

PRICEINTERACTIVE, INC.

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SUMMARY

In its Comments, PriceInteractive urged the Commission to adopt rules that facilitate the use of state-of-the-art enhanced third party verification ("ETPV") systems. Such systems, it argued, provide the most efficient and reliable means available to protect against unauthorized changes in customers' telecommunications carriers. In these Reply Comments, PriceInteractive establishes its agreement with the major carriers and other commentors on the importance of widely-accepted third party verification, while also explaining the fundamental misunderstanding of other commentors regarding the purposes and capabilities of ETPV systems.

PriceInteractive agrees with Sprint that human verification of each automated third party verification attempt provides great consumer protection against slamming. In fact, PriceInteractive's ETPV already subjects every response of a successful verification call to independent human review. PriceInteractive also agrees with MCI Worldcom's recommendation that automated TPV providers be subject to the verification requirements imposed by the Commission on other TPV providers.

However, PriceInteractive also notes that, contrary to Teltrust's argument, the TPV process is designed for the limited purpose of objectively and independently documenting a customer's preferred carrier selection. PriceInteractive agrees with AT&T, Sprint and MCI Worldcom that allowing or ordering TPV providers to provide additional information about service offerings would inevitably blur the carrier/ independent TPV provider distinction.

PriceInteractive also disagrees with Teltrust's suggestion that live operator verification is somehow superior to automated verification because live operators can listen for "red flags" that may indicate a fraudulent transaction is being attempted and can "reject" a carrier change.

Teltrust's suggestion is unsupported by any data, ignores completely the possibility that a live operator could become part of a fraudulent scheme (a possibility that does not arise with automated systems), and fails to recognize that ETPV systems such as PriceInteractive's employ voice recognition software designed to monitor the responses provided by the customer and to detect inconsistencies that create doubt as to a customer's desire to make a preferred carrier change.

In addition, PriceInteractive believes that allowing the carrier's representative to "listen and terminate" offers a reasonable compromise between the New York State Consumer Protection Board's concern that third party verification cannot be objective and independent if the new carrier is present on the verification call, on the one hand, and the need for reasonable efficiency in the verification process, on the other. PriceInteractive's ETPV system's connection options employ the "listen and terminate" function to address the concerns raised by the Board.

Finally, PriceInteractive notes the misunderstanding of NASUCA regarding the capabilities of ETPV systems and the potential for fraud in the use of ETPV systems. PriceInteractive's patent-pending ETPV system does more than simply record questions and answers; it incorporates both real-time voice recognition software and human involvement into a comprehensive, efficient and reliable service offering. Clear, consistent message delivery combined with an interactive environment and two discrete levels of response verification makes ETPV very secure.

INTRODUCTION

PriceInteractive, Inc. ("PriceInteractive"), a provider of third-party verification services ("TPV"), through counsel, hereby submits its Reply Comments in response to the Federal Communications Commission's ("Commission") Second Report and Order and Further Notice of Proposed Rulemaking (adopted December 17, 1998) ("Second Report and Order") regarding unauthorized changes of consumers' long distance carriers, a practice commonly referred to as "slamming."

In its Comments (March 18, 1999), PriceInteractive urged the Commission to adopt rules that facilitate the use of state-of-the-art Enhanced TPV ("ETPV") systems. These systems, it argued, provide the most efficient and reliable means available to protect against unauthorized changes in customers' telecommunications carriers.¹ As explained herein, the Comments fully support the adoption of such rules as the best mechanism for meeting the Commission's public interest objectives.

Automated TPV is a widely accepted verification procedure utilized by carriers across the telecommunications industry. See, e.g., Sprint Corporation Comments (March 18, 1999), p. 8;

¹ PriceInteractive also argued that the Commission should: (i) clarify that its third party verifier independence criteria expressly prohibits the carrier from managing or controlling the third party verifier through any form of direct or indirect controlling ownership relationship; (ii) not prohibit carriers from directing the specifics of the verification procedure; (iii) not prohibit carrier representatives from being present during the verification; (iv) conclude that a "live script" verification procedure is clearly inconsistent with the Commission's rules concerning independent third party verification and therefore should be prohibited; (v) adopt a self-certification process for third party verifiers, and; (vi) eliminate any possible confusion concerning the verification procedure when the LEC is directly contacted by the customer by clarifying that, consistent with the Commission's new requirement that all intraLATA toll changes be verified, each LEC must verify all intraLATA toll changes in which that LEC is the new intraLATA toll provider through one of the three verification methods in the Commission's rules.

MCI Worldcom, Inc. Comments (March 18, 1999), p. 22; AT&T Corp. Comments (March 18, 1999), pp. 41-43. Carriers choose automated TPV for their verification needs because of the advantages it offers. These advantages include:

- total elimination of variation in question presentation
- significant cost savings
- twenty-four hour/seven day a week availability
- ability to handle increased verification demand during call spikes without problematic staffing issues and time delays
- flexibility to provide verification in any language
- maximum elimination of sales fraud
- immediate electronic access to each individual verification for auditing and for dispute resolution.

See PriceInteractive Comments, pp. 7-10; VoiceLog Comments (March 18, 1999 comments), pp. 3-5 (unnumbered pages).

DISCUSSION

Among the comments submitted in this Docket, several offer suggestions concerning the specific features that should be made available through automated TPV.² PriceInteractive's

² The term "automated TPV" was a term adopted by the Commission and numerous commentors to describe services that utilize some form of automated process other than a live operator. For ease of reference, PriceInteractive uses this term to generically describe these systems. However, as explained in its Comments, while PriceInteractive's ETPV system utilizes state-of-the-art technologies, including voice recognition software, to provide the efficient and reliable verification services, PriceInteractive uses human verifiers to verify each and every response as well. PriceInteractive uses technology to "enhance" traditional live operator TPV, improve verification integrity and lower cost, but does not rely solely on an "automated" process. As used in these Comments, the term "automated TPV" therefore includes "technologically-enhanced" TPV processes as well.

technology-enhanced third party verification service (“ETPV”) already includes these features and PriceInteractive agrees that they provide significant benefits to carriers and customers alike. For example, PriceInteractive agrees with Sprint’s comments, p. 8, that human verification (termed “live agent review” by Sprint) of each individual automated third party verification attempt “provides great consumer protection against slamming.” PriceInteractive’s ETPV³ subjects every response to a successful verification call to independent human review. PriceInteractive Comments, p. 5. PriceInteractive’s ETPV therefore retains all the benefits of human review while incorporating additional benefits associated with an automated (technology-enhanced) process.

PriceInteractive concurs with MCI Worldcom’s recommendation, p. 22, that automated TPV providers should be subject to the basic verification requirements imposed by the Commission in the Second Report and Order. Indeed, as explained in its Comments, it is clear that automated TPV processes not only meet these requirements, but provide more consistent and secure verification results than through live operator procedures. PriceInteractive Comments, pp. 9-10.

PriceInteractive also agrees with those commentators who demonstrated that automated TPV is more economical than live operator verifiers. See Teltrust, Inc. Comments (March 18, 1999) p. 9. Indeed, as set forth in its Comments, PriceInteractive’s robust ETPV generally costs \$.50-\$.125 per-transaction, whereas live operator TPV generally costs at least three or four times as much. PriceInteractive Comments, p. 9. As such, automated TPV offers the prototype win-win scenario: carriers and the public are better served by the reduced cost associated with automated TPV; carriers, the public and public interest (regulatory) are further served by the

³ PriceInteractive has sought patent protection for certain elements of its TPV services. Its patent application is currently pending.

unique consistency and security of the automated TPV process. In this context, there can be little doubt that automated processes are in the public interest and should be available to verifying carriers.

To the extent that there is disagreement or controversy regarding automated TPV, it appears to arise out of a misunderstanding of the purposes of TPV and the capabilities of the TPV systems currently in use or otherwise available from providers like PriceInteractive. For example, Teltrust takes issue with automated TPV by arguing that a live TPV operator can "answer questions asked by the consumer, whereas an automated system has no capability to interact with the consumer." Teltrust Comments, p. 7.

Teltrust's argument, however, misperceives the purpose of the third party verification process and misses the point. The third party verification process is not intended to be a process where the verifier sells the customer on the service or clarifies the nature of the service offering. To the contrary, the verification process is designed for a much more limited purpose: to objectively and independently document the customer's selection of a telecommunications provider. Indeed, given the Commission's finding that "a third party verifier that has any incentive, financial or otherwise, to approve a carrier switch would violate [the FCC's] rules," Second Report and Order, ¶ 70, it is clear that an "interaction" that can occur if the customer is allowed to question the independent verifier about the carrier product offering is a negative aspect of the live operator process, not an advantage. As AT&T points out in its Comments, allowing or ordering TPV providers to perform the very closely related function of providing additional information about service offerings would, inevitably, blur the critical distinction between the carrier and the "independent" third party verifier:

Under the guise of providing "consumer information" about the carrier selection process, entities that now provide independent verification could easily be drawn into presenting the particular viewpoints of the competing carriers by whom they

are retained -- thus creating the very incentives to skew their verification activities in that carrier's favor that the Commission has sought to preclude. . . . [P]ermit[ing] or requir[ing] entities that provide third party verification of carrier change orders to furnish additional consumer information about the carrier selection process as part of, or in connection with, the verification transaction . . . threat[ens] the neutrality of the verification entity [and] outweighs any conceivable benefit to consumers or competition that might result from the provision of such additional information.

AT&T Comments, pp. 41-42. See also Sprint Comments, p. 9 ("third party verifier should [not] provide information on the rates or service offerings of the carrier, as that potentially puts the verifier in the position of serving as the carrier's agent, and compromises the verifier's independence"); MCI Worldcom Comments, p. 23 ("TPV process has the greatest integrity and efficiency when it is limited to the verifying information that the carrier has already obtained").

Because a live TPV operator cannot be a sales agent for the carrier, he/she does not possess sufficient information to assist callers on the specifics of the service offering or the relative merits of their service options. The narrow focus of automated TPV--as a verification-only process--eliminates the possibility of error or fraud by the operator conducting the verification, and of improper influence by the carrier, thereby representing a further advantage of automated TPV.

Teltrust also suggests that live operator verification is somehow superior to automated verification because its live operators listen for "red flags" that may indicate a fraudulent transaction is being attempted and can "reject" the carrier change. Teltrust Comments, p. 8. With due respect, Teltrust's suggestion does not demonstrate any superiority of live operator over automated systems. As an initial matter, Teltrust fails to provide any data demonstrating that its live operators have ever "rejected" an order based on an assumed fraud, or that such actions

occur in a statistically-significant number of verification calls. Perhaps even more importantly, even if a live operator did reject a call, the question is whether that rejection was in fact warranted. The verification process, after all, should not prevent a duly authorized individual from making a carrier selection decision. Absent such data, there is no basis for the Commission to conclude that live operators provide any benefit on this issue. Moreover, Teltrust ignores completely the possibility that a live operator could become part of a fraudulent scheme -- a possibility that does not arise with automated systems.

In addition, Teltrust's suggestion assumes incorrectly that automated TPV systems cannot in a real-time manner identify signs that a caller may be unprepared to make a firm decision or that fraud is occurring. As explained in its Comments, PriceInteractive's voice recognition software is designed to monitor the responses provided by the customer and to detect inconsistencies in those responses that create doubt as to the customer's desire to switch to the carrier's service. PriceInteractive Comments, p. 5. If this doubt reaches a pre-defined threshold, the system may be programmed -- based on carefully constructed standards and measures -- to terminate the call and reject the attempted verification. The live operator system, in contrast, must inherently rely on the individual judgment of untrained live operators.

Finally, even if the live operator process does facilitate the identification of "red flags" that would not be identified by automated TPV at the time of the call, contrary to Teltrust's further suggestion, each call verified by PriceInteractive is subject to individual human review before a positive verification determination is made. This human review procedure completely eliminates any claimed benefit of a live operator system, as this individual human review would presumably have the same ability to detect "red flags" as the live operator. In this context, there is no basis --

either in fact or logic -- to conclude that live operator systems are better at detecting fraud in the verification process.

In its March 18, 1999 Comments, pp. 13-14, the New York State Consumer Protection Board expresses concern that “[t]hird party verification cannot be objective or independent, as the Commission requires, if the new carrier is present on the call. . . . [A]n automated system . . . would [only] be acceptable if the carrier’s representative does not participate in the call except to connect the parties.” The Board’s concern appears to be based on the possibility that a carrier representative could exert undue influence on the potential customer and/or the verification process.

The PriceInteractive ETPV system has offered its customers several connection options: the agent for the new carrier can either (i) connect the call to the verifier, then drop off the line (“Immediate Drop-Off”); (ii) remain on the line with the ability to interrupt, or terminate the call (“Optional Interrupt/Terminate”); or, (iii) remain on the line with the ability to interrupt and restart the call (“Optional Interrupt/Restart”).⁴ Under each of these options, the carrier’s agent is allowed to remain on the call, to “listen and interrupt” if necessary to address issues or misunderstandings regarding the service offering, but **not** to participate in the verification process itself.

⁴ Under the Optional Interrupt/Terminate option, the agent can interrupt and terminate the call, can stay with the call and answer questions and, if the agent wishes, the agent can conference the caller with the system again and begin the verification process anew. Under the Optional Interrupt/Restart, the agent can stay on the call and can interrupt and restart the call at the beginning, immediately after the opening message to the caller, or at any of the subsequent prompts.

PriceInteractive believes that allowing the carrier's representative to "listen and terminate" reflects a reasonable compromise between the concerns of the Board while allowing for reasonable efficiency in the verification process. More importantly, there is no data before the Commission that demonstrates that there is any real or statistically-significant concern with allowing the carrier's representative to remain on the line or that it would be any greater with an automated TPV process than with a live operator process. Indeed, as PriceInteractive explained in its Comments, pp. 9-10, unlike live operator systems, each verification call is subject to at least two and, when necessary, three stages of review -- including both software and human review -- to ensure that the caller's results are accurately recorded and that no undue influence has been exerted by the carrier's representative. The adoption of these procedures should further deter any improper conduct by telemarketers and provide the mechanisms to promptly root out any improper practices by telemarketers who are present during the verification call.

Although PriceInteractive is sympathetic to the concerns expressed by some commentors, it does not believe that these concerns are of demonstrated significance, or that they cannot be controlled by the implementation of the ETPV system described herein. While PriceInteractive offers its enhanced TPV service with an option that prevents a carrier representative from "listening" to the verification call, PriceInteractive believes that a blanket prohibition on telemarketers being present during verification calls unnecessarily limits the functionality of the verification process.

The "interrupt and terminate" procedure provides the carrier a reasonable mechanism to ensure that a consumer has the information they need to make a carrier selection, while reasonably protecting against undue influence by the carrier representative. TPV is designed to

independently confirm a consumer's decision. However, it should not inadvertently thwart a consumer's decision. Therefore, the question for the Commission is whether the opportunity for influence or fraud by a carrier representative outweighs the practical considerations outlined above. In PriceInteractive's experience, they do not. However, if the Commission determines that a "listen and terminate" option should be prohibited, such a decision would not negate the many other advantages associated with an enhanced TPV system.

In addition to the disagreement over the purpose of TPV, there is also confusion among some commentators concerning the capabilities of modern ETPV services. Put simply, enhanced systems, like the system available from PriceInteractive, provide services that go well beyond the traditional "automated TPV" systems described by the Commission in its Second Report and Order, ¶167, and discussed by many commentators. Indeed, it does a disservice to the industry to limit the discussion of verification services to only two categories -- live operator and "automated." Traditional "automated" verification systems were little more than answering machines. PriceInteractive's system and other state-of-the-art systems represent a quantum leap forward in the capability and reliability of TPV services.

Unlike traditional automated TPV, PriceInteractive's patent-pending ETPV system does more than simply record questions and answers; it incorporates both real-time voice recognition software and human involvement into a comprehensive, efficient and reliable service offering.⁵ By employing real-time speech recognition, responses are not only prompted and recorded, but are

⁵ While the technical aspects of PriceInteractive's software are too complicated to discuss here, PriceInteractive would welcome the opportunity to provide these details to the Commission at a later date.

processed real-time, thereby providing an interactive navigation path that can respond appropriately if a caller becomes confused or gives unclear responses.

PriceInteractive strongly disagrees with the opposition of the National Association of State Utility Consumer Advocates ("NASUCA"), to "automated third party verification systems because of the potential for fraud in that the consumer's assent could be easily 'forged' into an automated voice response system or a customer could become confused and provide unintended responses that would be interpreted as verification." NASUCA Comments (March 18, 1999), p. 10. First, as with TelTrust, NASUCA merely assumes its conclusion without providing any supporting data or rationale. Second, there is no reason to believe that there is greater risk of a customer response being "forged" in an automated system than in a live operator system. Indeed, as discussed earlier, if a caller has the necessary personal data to confirm his/her identity, there is no reason to believe that a live operator will be any more capable than a human verifier of correctly assessing whether the caller is an imposter.

Third, because ETPV systems use the recorded voices of professional voice talent to make the required inquiries, these inquiries are never affected by fatigue, regional accents, or changes in a live operator's attitude. As a result, caller confusion is dramatically reduced with an automated system. Fourth, should a caller become disoriented, PriceInteractive's patent-pending technology-enhanced system works on an interactive basis. Garbled and/or ambiguous responses are analyzed real-time by state-of-the-art voice recognition software; the caller receives a second prompt to restate his/her answer, and if the second answer is different than the first, the caller receives a third and final prompt -- quickly, efficiently, and always in a friendly, clear manner. If

the response remains inconsistent or otherwise improper, the call is terminated and verification is denied.

Finally, PriceInteractive's voice recognition software is supported up by independent live human review, thereby providing an additional level of security and ensuring that a caller indicating "no" is not inadvertently determined to have indicated "yes." The clear, consistent message delivery combined with an interactive environment and two discrete levels of response verification makes ETPV an extremely secure process -- one that clearly meets the Commission's public interest objectives.

CONCLUSION

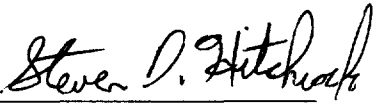
As demonstrated in PriceInteractive's Comments, state-of-the-art Enhanced TPV systems provide an efficient and reliable mechanism for verifying a customer's election to switch its telecommunications carrier. PriceInteractive therefore believes that the Commission should adopt rules that facilitate the use of state-of-the-art ETPV systems. When operated by independent service providers like PriceInteractive, ETPV systems provide the best available protection against unauthorized changes in customers' long distance and/or local carriers.

ACCORDINGLY, PriceInteractive respectfully requests that the Commission revise its rules concerning independent third party verification consistent with the views expressed herein.

Respectfully submitted,
PRICEINTERACTIVE, INC.

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May 3, 1999

Its Attorneys

AFFIRMATION OF SERVICE

I, Steven D. Hitchcock, hereby affirm, under penalty of perjury, that I am an associate with Technology Law Group, LLC, attorneys for PriceInteractive, Inc., am over 18 years of age, and am not a party to this action. On the 3rd day of May, 1999, the within Reply Comments of PriceInteractive, were served by hand upon the following persons at the addresses indicated:

Magalie Ramon Salas
Office of the Secretary
Federal Communications Commission
445 12th Street, S.W., TWA-325
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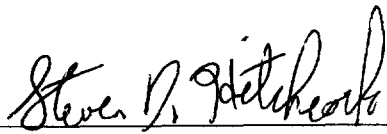
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Steven D. Hitchcock

Dated: May 3, 1999
Washington, D.C.